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SUBJECT: DOHA ROUND: LAMY URGES SOUTH AFRICA TO ASSUME
GREATER LEADERSHIP

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11. Summary. WTO Director General Pascal Lamy opened his address to the South African Institute for International Affairs in Johannesburg on February 10 with the conclusion that he and others were right to "recalibrate expectations" for December Ministerial in Hong Kong. As a consequence, results exceeded expectations and now there is greater attention to what remains to be done. Lamy felt that South Africa had the size and competitiveness to assume a more offensive position in the negotiations, and to show other developing countries that they, too, could pursue offensive interests. Lamy claimed that everyone knew what had to be done to move negotiations forward. The United States had to give more on agricultural domestic support. The European Union had to give more on agricultural market access. Developing countries had to give more on industrial tariffs. Throughout, Lamy emphasized that every issue discussed in Hong Kong embodied a very strong development dimension. End Summary.

Protestors

12. As soon as Lamy began his talk at the South African Institute for International Affairs on the campus of the University of the Witwatersrand, a dozen raucous protestors started chanting anti-WTO slogans. Once escorted out of the building, they continued chanting next to the window of the auditorium for the entire two hours in an effort to disrupt the event. It was in this atmosphere that Lamy lifted points from his prepared statement and answered questions. His prepared statement may be found at: www.saiia.co.za or www.wto.org/English/news_e/sppl_e/spl118_e/htm.

Lower Expectations Exceeded

13. Lamy began with the conclusion that he and others were right to "recalibrate expectations" for December Ministerial in Hong Kong. The result was that the Ministerial exceeded expectations in agreeing on a date for the elimination of agricultural export subsidies and on the notion that developing countries could employ a separate coefficient to calculate tariff reductions using the Swiss formula. He listed a number of other areas where progress was made, and pointed out that every issue discussed in Hong Kong embodied

a very strong development dimension.

South Africa

¶4. Hong Kong also opened the door for plurilateral negotiations in services, an area where Lamy believed South Africa should play a leading role. He felt that South Africa had the size and competitiveness to assume a more offensive position in the negotiations. In addition, South Africa should recognize that services were hugely important to its own growth and development, and for the growth and development of the rest of Africa.

¶5. Later, Lamy criticized South Africa for taking a defensive approach to industrial tariffs and services, despite having offensive interests at stake, especially in the areas of tariff peaks and escalation. South Africa could play a constructive role on issues surrounding preference erosion, as it had suffered from the elimination of textile and apparel quotas and could understand both sides. While a successful Doha Round would result in further preference erosion, especially when it came to AGOA and the EU's "Everything But Arms," Lamy questioned the notion that the effort to reduce trade barriers should be scrapped for the sake of maintaining preferences. Finally, he argued that much more should be done to advance south-south trade, since two-thirds of customs charges paid by developing countries went to fellow developing countries. Lamy hoped South Africa would be a leader in this regard, to show other developing countries that they, too, could pursue offensive interests.

Timelines and Deadlines

¶6. Lamy explained that the expiration of U.S. Trade Promotion Authority in July 2007 meant that there was less than a year left to finish Doha trade negotiations. This was because lawyers would need three months to put any agreement into final form, and the U.S. Congress must be notified

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90-days before it could schedule a vote. Complicating matters was the fact that several important WTO members (including the United States) would hold elections in the second half of 2006. Therefore, most of the hard work would have to be done during the first half of 2006.

Triangular Negotiations

¶7. Lamy claimed that everyone knew what had to be done to move negotiations forward. The United States had to give more on agricultural domestic support. The European Union had to give more on agricultural market access. Developing countries had to give more on industrial tariffs. This was the "negotiating triangle" that would open the door to making progress on other issues. The timeline for resolving this "triangle" was the end of April 2006.

Public Perceptions and Politics

¶8. Lamy closed by saying that while making concessions in trade negotiations was not painless, a successful Doha Round would be a plus -- both for the world and for each individual country. The public relations problem was that we would always hear more about losers than winners. In this context, he noted that public opinion in favor of trade agreements had dropped from 66% to 60% this year. This might please some politicians who continued to think that they could promote exports while restricting imports, he reckoned, but this was logically inconsistent and politically unsustainable over the long run. Lamy cautioned that countries embarking on trade opening needed to also have the domestic policies in place to complement multilateral trade adjustments.

Questions and Answers

¶9. During question time, Lamy was peppered with challenging questions from the organizers of the protest trying to disrupt the event. Other questions reflected a general lack of knowledge about the WTO and trade negotiations. In the course of his answers, Lamy said that there was still the need for a "green room" to facilitate negotiations. He noted that despite various attempts to reform the structure of the WTO, pragmatism had led to the current system of country groupings, such as the G-20, G-33, and Latin American countries, that could engineer compromises and mediate differences. He noted that South Africa played this role with Brazil and India. Brazil had offensive interests in agriculture while India had defensive interests. The result was a G-20 proposal that Lamy thought brought members much closer to what might be a final compromise than did proposals from the United States and the European Union.

¶10. When it came to the power and authority that he exercised over the negotiations, Lamy explained that the work of the WTO encompassed negotiations, surveillance, litigation, and training. The area where he could exercise the most authority was training. The area where he could play the most proactive role was negotiations, where in any given hour he might be called upon to be a broker, navigator, shepherd, doctor, or even midwife.

¶11. Lamy noted that increasingly issues in the WTO surrounded regulatory barriers to trade, such as those involving health, environment, and other social concerns. Many of these were rooted in values rather than in monetary concerns. Negotiating in monetary terms was easier, since both sides could always split the difference. Negotiating in value terms was more difficult, and he cited as an example the debate on genetically modified organisms.

¶12. When a questioner attacked the WTO as serving the interests of rich countries, Lamy argued that development concerns had pervaded Doha negotiations, whose purpose it was to correct past imbalances in the GATT that had their roots colonial legacies and cold war geopolitics. He added that Doha negotiators recognized that it was easier for countries with budget and administrative capacity to adjust for trade opening, and for this reason developing countries needed more flexibility in a final agreement and assistance in implementation. Finally, he pointed out that three-fourths of WTO members were now developing countries. Today, the G-20, G-90, and other developing country clubs wielded

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considerable power in the WTO.

¶13. In answer to criticism of the United States for offering in the negotiations to reduce cotton subsidies when it was required to do so anyway because of a dispute settlement ruling, Lamy responded that either way -- dispute settlement or negotiations -- the change was due to the WTO. He also argued that while EU tariffs were still very high on sugar, the effort to eliminate subsidies had to move forward. These were positive developments motivated by the WTO.

TEITELBAUM